



JOHN CHIANG  
California State Controller

May 8, 2013

Joseph Allison, Director, Fiscal Services  
Merced Community College District  
3600 M Street  
Merced, CA 95348

Dear Mr. Allison:

The State Controller's Office reviewed the costs claimed by the Merced Community College District for the legislatively mandated Enrollment Fee Collection and Waivers Program (Education Code section 76300, and *California Code of Regulations*, Title 5, sections 58501-58503, 58611-58613, 58620, and 58630) for the period of July 1, 2000, through June 30, 2011. Our review was limited to verifying indirect costs and validating eligible offsetting reimbursements the district received from the California Community Colleges Chancellor's Office for enrollment fee collection and waivers offsets.

The district claimed \$581,450 for the mandated program. Our review found that \$211,577 is allowable and \$369,873 is unallowable. The costs are unallowable because the district understated indirect costs and misstated offsetting reimbursements, as described in the attached Summary of Program Costs and Findings and Recommendations.

For the fiscal year (FY) 2000-01 claim through the FY 2007-08 claim, the State made no payment to the district. Our review found that \$134,154 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2008-09 claim, the State paid the district \$4,438. Our review found that \$28,826 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$24,388, contingent upon available appropriations.

For the FY 2009-10 claim, the State paid the district \$6,259. Our review found that \$29,412 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$23,153, contingent upon available appropriations.

For the FY 2010-11 claim, the State made no payment to the district. Our review found that \$19,185 is allowable. The State will pay that amount, contingent upon available appropriations.

If you disagree with the review findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at [www.csm.ca.gov/docs/IRCForm.pdf](http://www.csm.ca.gov/docs/IRCForm.pdf).

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/nh

Attachments

RE: S13-MCC-910

cc: Christine Atalig, Specialist, College Finance and Facilities Planning  
California Community Colleges Chancellor's Office  
Ed Hanson, Principal Program Budget Analyst  
Education Systems Unit, California Department of Finance  
Mario Rodriguez, Finance Budget Analyst  
Education Systems Unit, California Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

# Attachment 1— Summary of Program Costs July 1, 2000, through June 30, 2011

| Cost Elements  | Actual Costs<br>Claimed | Allowable<br>Per Review | Review<br>Adjustment | Reference <sup>1</sup> |
|--|-------------------------|-------------------------|----------------------|------------------------|
| <u>July 1, 2000, through June 30, 2001</u>                   |                         |                         |                      |                        |
| <i>Enrollment fee collection:</i>                            |                         |                         |                      |                        |
| Direct costs - salaries and benefits                         |                         |                         |                      |                        |
| Calculating and collecting enrollment fees                   | \$ 21,684               | \$ 21,684               | \$ —                 |                        |
| Total direct costs   | 21,684                  | 21,684                  | —                    |                        |
| Indirect costs   | 2,172                   | 3,113                   | 941                  | Finding 1              |
| Total direct and indirect costs                              | 23,856                  | 24,797                  | 941                  |                        |
| Less offsetting savings and reimbursements:                  |                         |                         |                      |                        |
| Enrollment fee collection <sup>2</sup>                       | (19,336)                | (14,653)                | 4,683                | Finding 2              |
| Total enrollment fee collection                              | 4,520                   | 10,144                  | 5,624                |                        |
| <i>Enrollment fee waivers:</i>                               |                         |                         |                      |                        |
| Direct costs - salaries and benefits                         |                         |                         |                      |                        |
| Waiving student fees   | 29,986                  | 29,986                  | —                    |                        |
| Reporting BOGG fee waiver data to CCCCCO                     | 234                     | 234                     | —                    |                        |
| Total direct costs   | 30,220                  | 30,220                  | —                    |                        |
| Indirect costs   | 3,028                   | 4,340                   | 1,312                | Finding 1              |
| Total direct and indirect costs                              | 33,248                  | 34,560                  | 1,312                |                        |
| Less offsetting savings and reimbursements:                  |                         |                         |                      |                        |
| Enrollment fee waivers                                       | —                       | (85,885)                | (85,885)             | Finding 2              |
| Adjustment for unused portion of offsets <sup>3</sup>        | —                       | 51,325                  | 51,325               |                        |
| Total enrollment fee waivers                                 | 33,248                  | —                       | (33,248)             |                        |
| Total program costs  | \$ 37,768               | 10,144                  | \$ (27,624)          |                        |
| Less amount paid by the State                                |                         | —                       |                      |                        |
| Allowable costs claimed in excess of (less than) amount paid |                         | \$ 10,144               |                      |                        |
| <u>July 1, 2001, through June 30, 2002</u>                   |                         |                         |                      |                        |
| <i>Enrollment fee collection:</i>                            |                         |                         |                      |                        |
| Direct costs - salaries and benefits                         |                         |                         |                      |                        |
| Calculating and collecting enrollment fees                   | \$ 25,898               | \$ 25,898               | \$ —                 |                        |
| Total direct costs   | 25,898                  | 25,898                  | —                    |                        |
| Indirect costs   | 3,104                   | 3,304                   | 200                  | Finding 1              |
| Total direct and indirect costs                              | 29,002                  | 29,202                  | 200                  |                        |
| Less offsetting savings and reimbursements:                  |                         |                         |                      |                        |
| Enrollment fee collection <sup>2</sup>                       | (14,533)                | (14,725)                | (192)                | Finding 2              |
| Total enrollment fee collection                              | 14,469                  | 14,477                  | 8                    |                        |

**Attachment 1 (continued)**

| Cost Elements  | Actual Costs<br>Claimed | Allowable<br>Per Review | Review<br>Adjustment | Reference <sup>1</sup> |
|--|-------------------------|-------------------------|----------------------|------------------------|
| <i>Enrollment fee waivers:</i>                               |                         |                         |                      |                        |
| Direct costs - salaries and benefits                         |                         |                         |                      |                        |
| Waiving student fees   | 33,233                  | 33,233                  | —                    |                        |
| Reporting BOGG fee waiver data to CCCCCO                     | 239                     | 239                     | —                    |                        |
| Total direct costs   | 33,472                  | 33,472                  | —                    |                        |
| Indirect costs   | 4,014                   | 4,271                   | 257                  | Finding 1              |
| Total direct and indirect costs                              | 37,486                  | 37,743                  | 257                  |                        |
| Less offsetting savings and reimbursements:                  |                         |                         |                      |                        |
| Enrollment fee waivers                                       | —                       | (87,688)                | (87,688)             | Finding 2              |
| Adjustment for unused portion of offsets <sup>3</sup>        | —                       | 49,945                  | 49,945               |                        |
| Total enrollment fee waivers                                 | 37,486                  | —                       | (37,486)             |                        |
| Total program costs  | <u>\$ 51,955</u>        | 14,477                  | <u>\$ (37,478)</u>   |                        |
| Less amount paid by the State                                |                         | —                       |                      |                        |
| Allowable costs claimed in excess of (less than) amount paid |                         | <u>\$ 14,477</u>        |                      |                        |
| <u>July 1, 2002, through June 30, 2003</u>                   |                         |                         |                      |                        |
| <i>Enrollment fee collection:</i>                            |                         |                         |                      |                        |
| Direct costs - salaries and benefits                         |                         |                         |                      |                        |
| Calculating and collecting enrollment fees                   | \$ 33,53                | \$ 33,531               | \$ —                 |                        |
| Total direct costs   | 33,531                  | 33,531                  | —                    |                        |
| Indirect costs   | 3,591                   | 4,62                    | 1,036                | Finding 1              |
| Total direct and indirect costs                              | 37,122                  | 38,158                  | 1,036                |                        |
| Less offsetting savings and reimbursements:                  |                         |                         |                      |                        |
| Enrollment fee collection <sup>2</sup>                       | (22,648)                | (18,996)                | 3,652                | Finding 2              |
| Total enrollment fee collection                              | 14,474                  | 19,162                  | 4,688                |                        |
| <i>Enrollment fee waivers:</i>                               |                         |                         |                      |                        |
| Direct costs - salaries and benefits                         |                         |                         |                      |                        |
| Waiving student fees   | \$ 57,44                | 57,443                  | —                    |                        |
| Reporting BOGG fee waiver data to CCCCCO                     | 244                     | 244                     | —                    |                        |
| Total direct costs   | 57,687                  | 57,687                  | —                    |                        |
| Indirect costs   | 6,178                   | 7,961                   | 1,783                | Finding 1              |
| Total direct and indirect costs                              | 63,865                  | 65,648                  | 1,783                |                        |
| Less offsetting savings and reimbursements:                  |                         |                         |                      |                        |
| Enrollment fee waivers                                       | —                       | (88,186)                | (88,186)             | Finding 2              |
| Adjustment for unused portion of offsets <sup>3</sup>        | —                       | 22,538                  | 22,538               |                        |
| Total enrollment fee waivers                                 | 63,865                  | —                       | (63,865)             |                        |
| Total program costs  | <u>\$ 78,339</u>        | 19,162                  | <u>\$ (59,177)</u>   |                        |
| Less amount paid by the State                                |                         | —                       |                      |                        |
| Allowable costs claimed in excess of (less than) amount paid |                         | \$ 19,162               |                      |                        |

**Attachment 1 (continued)**

| Cost Elements  | Actual Costs<br>Claimed | Allowable<br>Per Review | Review<br>Adjustment | Reference <sup>1</sup> |
|--|-------------------------|-------------------------|----------------------|------------------------|
| <u>July 1, 2003, through June 30, 2004</u>                   |                         |                         |                      |                        |
| <i>Enrollment fee collection:</i>                            |                         |                         |                      |                        |
| Direct costs - salaries and benefits                         |                         |                         |                      |                        |
| Calculating and collecting enrollment fees                   | \$ 35,708               | \$ 35,708               | \$ —                 |                        |
| Total direct costs   | 35,708                  | 35,708                  | —                    |                        |
| Indirect costs   | 3,099                   | 4,996                   | 1,897                | Finding 1              |
| Total direct and indirect costs                              | 38,807                  | 40,704                  | 1,897                |                        |
| Less offsetting savings and reimbursements:                  |                         |                         |                      |                        |
| Enrollment fee collection <sup>2</sup>                       | (32,967)                | (29,221)                | 3,746                | Finding 2              |
| Total enrollment fee collection                              | 5,840                   | 11,483                  | 5,643                |                        |
| <i>Enrollment fee waivers:</i>                               |                         |                         |                      |                        |
| Direct costs - salaries and benefits                         |                         |                         |                      |                        |
| Waiving student fees   | \$ 60,847               | 60,847                  | —                    |                        |
| Reporting BOGG fee waiver data to CCCCCO                     | 244                     | 244                     | —                    |                        |
| Total direct costs   | 61,091                  | 61,091                  | —                    |                        |
| Indirect costs   | 5,303                   | 8,546                   | 3,243                | Finding 1              |
| Total direct and indirect costs                              | 66,394                  | 69,637                  | 3,243                |                        |
| Less offsetting savings and reimbursements:                  |                         |                         |                      |                        |
| Enrollment fee waivers                                       | —                       | (108,685)               | (108,685)            | Finding 2              |
| Adjustment for unused portion of offsets <sup>3</sup>        | —                       | 39,048                  | 39,048               |                        |
| Total enrollment fee waivers                                 | 66,394                  | —                       | (66,394)             |                        |
| Total program costs  | <u>\$ 72,234</u>        | 11,483                  | <u>\$ (60,751)</u>   |                        |
| Less amount paid by the State                                |                         | —                       |                      |                        |
| Allowable costs claimed in excess of (less than) amount paid |                         | <u>\$ 11,483</u>        |                      |                        |
| <u>July 1, 2004, through June 30, 2005</u>                   |                         |                         |                      |                        |
| <i>Enrollment fee collection:</i>                            |                         |                         |                      |                        |
| Direct costs - salaries and benefits                         |                         |                         |                      |                        |
| Calculating and collecting enrollment fees                   | \$ 39,304               | \$ 39,304               | \$ —                 |                        |
| Total direct costs   | 39,304                  | 39,304                  | —                    |                        |
| Indirect costs   | 5,066                   | 13,572                  | 8,506                | Finding 1              |
| Total direct and indirect costs                              | 44,370                  | 52,876                  | 8,506                |                        |
| Less offsetting savings and reimbursements:                  |                         |                         |                      |                        |
| Enrollment fee collection <sup>2</sup>                       | (44,370)                | (39,957)                | 4,413                | Finding 2              |
| Total enrollment fee collection                              | —                       | 12,919                  | 12,919               |                        |

**Attachment 1 (continued)**

| Cost Elements  | Actual Costs Claimed | Allowable Per Review | Review Adjustment  | Reference <sup>1</sup> |
|--|----------------------|----------------------|--------------------|------------------------|
| <i>Enrollment fee waivers:</i>                               |                      |                      |                    |                        |
| Direct costs - salaries and benefits                         |                      |                      |                    |                        |
| Waiving student fees   | 71,530               | 71,530               | —                  |                        |
| Reporting BOGG fee waiver data to CCCCCO                     | 310                  | 310                  | —                  |                        |
| Total direct costs   | 71,840               | 71,840               | —                  |                        |
| Indirect costs   | 9,260                | 24,806               | 15,546             | Finding 1              |
| Total direct and indirect costs                              | 81,100               | 96,646               | 15,546             |                        |
| Less offsetting savings and reimbursements:                  |                      |                      |                    |                        |
| Enrollment fee collection <sup>2</sup>                       | (7,562)              | (132,773)            | (125,211)          | Finding 2              |
| Adjustment for unused portion of offsets <sup>3</sup>        | —                    | 36,127               | 36,127             |                        |
| Total enrollment fee waivers                                 | 73,538               | —                    | (73,538)           |                        |
| Total program costs  | <u>\$ 73,538</u>     | 12,919               | <u>\$ (60,619)</u> |                        |
| Less amount paid by the State                                |                      | —                    |                    |                        |
| Allowable costs claimed in excess of (less than) amount paid |                      | <u>\$ 12,919</u>     |                    |                        |
| <u>July 1, 2005, through June 30, 2006</u>                   |                      |                      |                    |                        |
| <i>Enrollment fee collection:</i>                            |                      |                      |                    |                        |
| Direct costs - salaries and benefits                         |                      |                      |                    |                        |
| Calculating and collecting enrollment fees                   | \$ 43,161            | \$ 43,161            | \$ —               |                        |
| Total direct costs   | 43,161               | 43,161               | —                  |                        |
| Indirect costs   | 5,821                | 15,222               | 9,401              | Finding 1              |
| Total direct and indirect costs                              | 48,982               | 58,383               | 9,401              |                        |
| Less offsetting savings and reimbursements:                  |                      |                      |                    |                        |
| Enrollment fee collection                                    | (50,586)             | (34,044)             | 16,542             | Finding 2              |
| Total enrollment fee collection <sup>4</sup>                 | (1,604)              | 24,339               | 25,943             |                        |
| <i>Enrollment fee waivers:</i>                               |                      |                      |                    |                        |
| Direct costs - salaries and benefits                         |                      |                      |                    |                        |
| Waiving student fees   | 75,726               | 75,726               | —                  |                        |
| Reporting BOGG fee waiver data to CCCCCO                     | 310                  | 310                  | —                  |                        |
| Total direct costs   | 76,036               | 76,036               | —                  |                        |
| Indirect costs   | 10,257               | 26,818               | 16,561             | Finding 1              |
| Total direct and indirect costs                              | 86,293               | 102,854              | 16,561             |                        |
| Less offsetting savings and reimbursements:                  |                      |                      |                    |                        |
| Enrollment fee waivers                                       | (1,346)              | (123,219)            | (121,873)          | Finding 2              |
| Adjustment for unused portion of offsets <sup>3</sup>        | —                    | 20,365               | 20,365             |                        |
| Total enrollment fee waivers                                 | 84,947               | —                    | (84,947)           |                        |
| Total program costs  | <u>\$ 83,343</u>     | 24,339               | <u>\$ (59,004)</u> |                        |
| Less amount paid by the State                                |                      | —                    |                    |                        |
| Allowable costs claimed in excess of (less than) amount paid |                      | <u>\$ 24,339</u>     |                    |                        |

**Attachment 1 (continued)**

| Cost Elements  | Actual Costs<br>Claimed | Allowable<br>Per Review | Review<br>Adjustment | Reference <sup>1</sup> |
|--|-------------------------|-------------------------|----------------------|------------------------|
| <u>July 1, 2006, through June 30, 2007</u>                   |                         |                         |                      |                        |
| <i>Enrollment fee collection:</i>                            |                         |                         |                      |                        |
| Direct costs - salaries and benefits                         |                         |                         |                      |                        |
| Staff Training   | \$ 1,101                | \$ 1,101                | \$ —                 |                        |
| Calculating and collecting enrollment fees                   | 40,566                  | 40,566                  | —                    |                        |
| Total direct costs   | 41,667                  | 41,667                  | —                    |                        |
| Indirect costs   | 6,041                   | 15,028                  | 8,987                | Finding 1              |
| Total direct and indirect costs                              | 47,708                  | 56,695                  | 8,987                |                        |
| Less offsetting savings and reimbursements:                  |                         |                         |                      |                        |
| Enrollment fee collection                                    | (55,958)                | (35,286)                | 20,672               | Finding 2              |
| Total enrollment fee collection <sup>4</sup>                 | (8,250)                 | 21,409                  | 29,659               |                        |
| <i>Enrollment fee waivers:</i>                               |                         |                         |                      |                        |
| Direct costs - salaries and benefits                         |                         |                         |                      |                        |
| Waiving student fees   | 80,416                  | 80,416                  | —                    |                        |
| Reporting BOGG fee waiver data to CCCCCO                     | 936                     | 936                     | —                    |                        |
| Total direct costs   | 81,352                  | 81,352                  | —                    |                        |
| Indirect costs   | 11,796                  | 29,344                  | 17,548               | Finding 1              |
| Total direct and indirect costs                              | 93,148                  | 110,696                 | 17,548               |                        |
| Less offsetting savings and reimbursements:                  |                         |                         |                      |                        |
| Enrollment fee waivers                                       | —                       | (135,460)               | (135,460)            | Finding 2              |
| Adjustment for unused portion of offsets <sup>3</sup>        | —                       | 24,764                  | 24,764               |                        |
| Total enrollment fee waivers                                 | 93,148                  | —                       | (93,148)             |                        |
| Total program costs  | <u>\$ 84,898</u>        | 21,409                  | <u>\$ (63,489)</u>   |                        |
| Less amount paid by the State                                |                         | —                       |                      |                        |
| Allowable costs claimed in excess of (less than) amount paid |                         | <u>\$ 21,409</u>        |                      |                        |
| <u>July 1, 2007, through June 30, 2008</u>                   |                         |                         |                      |                        |
| <i>Enrollment fee collection:</i>                            |                         |                         |                      |                        |
| Direct costs - salaries and benefits                         |                         |                         |                      |                        |
| Calculating and collecting enrollment fees                   | \$ 22,632               | \$ 22,632               | \$ —                 |                        |
| Total direct costs   | 22,632                  | 22,632                  | —                    |                        |
| Indirect costs   | 6,884                   | 9,348                   | 2,464                | Finding 1              |
| Total direct and indirect costs                              | 29,516                  | 31,980                  | 2,464                |                        |
| Less offsetting savings and reimbursements:                  |                         |                         |                      |                        |
| Enrollment fee collection                                    | (43,127)                | (34,536)                | 8,591                | Finding 2              |
| Adjustment for unused portion of offsets <sup>3</sup>        | —                       | 2,556                   | 2,556                |                        |
| Total enrollment fee collection <sup>4</sup>                 | (13,611)                | —                       | 13,611               |                        |

**Attachment 1 (continued)**

| Cost Elements  | Actual Costs<br>Claimed | Allowable<br>Per Review | Review<br>Adjustment | Reference <sup>1</sup> |
|--|-------------------------|-------------------------|----------------------|------------------------|
| <i>Enrollment fee waivers:</i>                               |                         |                         |                      |                        |
| Direct costs - salaries and benefits                         |                         |                         |                      |                        |
| Waiving student fees   | 102,311                 | 102,311                 | —                    |                        |
| Reporting BOGG fee waiver data to CCCCCO                     | 1,088                   | 1,088                   | —                    |                        |
| Total direct costs   | 103,399                 | 103,399                 | —                    |                        |
| Indirect costs   | 31,454                  | 42,714                  | 11,260               | Finding 1              |
| Total direct and indirect costs                              | 134,853                 | 146,113                 | 11,260               |                        |
| Less offsetting savings and reimbursements:                  |                         |                         |                      |                        |
| Enrollment fee waivers                                       | (99,290)                | (125,892)               | (26,602)             | Finding 2              |
| Adjustment for unused portion of offsets <sup>3</sup>        | —                       | —                       | —                    |                        |
| Total enrollment fee waivers                                 | 35,563                  | 20,221                  | (15,342)             |                        |
| Total program costs  | <u>\$ 21,952</u>        | 20,221                  | <u>\$ (1,731)</u>    |                        |
| Less amount paid by the State                                |                         | —                       |                      |                        |
| Allowable costs claimed in excess of (less than) amount paid |                         | <u>\$ 20,221</u>        |                      |                        |
| <u>July 1, 2008, through June 30, 2009</u>                   |                         |                         |                      |                        |
| <i>Enrollment fee collection:</i>                            |                         |                         |                      |                        |
| Direct costs - salaries and benefits                         |                         |                         |                      |                        |
| Calculating and collecting enrollment fees                   | \$ 68,912               | \$ 68,912               | \$ —                 |                        |
| Total direct costs   | 68,912                  | 68,912                  | —                    |                        |
| Indirect costs   | 25,319                  | 30,977                  | 5,658                | Finding 1              |
| Total direct and indirect costs                              | 94,231                  | 99,889                  | 5,658                |                        |
| Less offsetting savings and reimbursements:                  |                         |                         |                      |                        |
| Enrollment fee collection                                    | (43,166)                | (32,879)                | 10,287               | Finding 2              |
| Total enrollment fee collection                              | 51,065                  | 67,010                  | 15,945               |                        |
| <i>Enrollment fee waivers:</i>                               |                         |                         |                      |                        |
| Direct costs - salaries and benefits                         |                         |                         |                      |                        |
| Waiving student fees   | 68,931                  | 68,931                  | —                    |                        |
| Reporting BOGG fee waiver data to CCCCCO                     | 1,129                   | 1,129                   | —                    |                        |
| Total direct costs   | 70,060                  | 70,060                  | —                    |                        |
| Indirect costs   | 25,740                  | 31,491                  | 5,751                | Finding 1              |
| Total direct and indirect costs                              | 95,800                  | 101,551                 | 5,751                |                        |
| Less offsetting savings and reimbursements:                  |                         |                         |                      |                        |
| Enrollment fee waivers                                       | (118,039)               | (126,284)               | (8,245)              | Finding 2              |
| Adjustment for unused portion of offsets <sup>3</sup>        | —                       | 24,733                  | 24,733               |                        |
| Total enrollment fee waivers <sup>5</sup>                    | (22,239)                | —                       | 22,239               |                        |
| Subtotal   | 28,826                  | 67,010                  | 38,184               |                        |
| Less allowable costs that exceed costs claimed <sup>6</sup>  | —                       | (38,184)                | (38,184)             |                        |
| Total program costs  | <u>\$ 28,826</u>        | 28,826                  | <u>\$ —</u>          |                        |
| Less amount paid by the State                                |                         | (4,438)                 |                      |                        |
| Allowable costs claimed in excess of (less than) amount paid |                         | <u>\$ 24,388</u>        |                      |                        |



**Attachment 1 (continued)**

| Cost Elements  | Actual Costs<br>Claimed | Allowable<br>Per Review | Review<br>Adjustment | Reference <sup>1</sup> |
|--|-------------------------|-------------------------|----------------------|------------------------|
| <u>July 1, 2009, through June 30, 2010</u>                   |                         |                         |                      |                        |
| <i>Enrollment fee collection:</i>                            |                         |                         |                      |                        |
| Direct costs - salaries and benefits                         |                         |                         |                      |                        |
| Calculating and collecting enrollment fees                   | \$ 72,581               | \$ 72,581               | \$ —                 |                        |
| Total direct costs   | 72,581                  | 72,581                  | —                    |                        |
| Indirect costs   | 27,197                  | 34,266                  | 7,069                | Finding 1              |
| Total direct and indirect costs                              | 99,778                  | 106,847                 | 7,069                |                        |
| Less offsetting savings and reimbursements:                  |                         |                         |                      |                        |
| Enrollment fee collection                                    | (46,747)                | (36,811)                | 9,936                | Finding 2              |
| Total enrollment fee collection                              | 53,031                  | 70,036                  | 17,005               |                        |
| <i>Enrollment fee waivers:</i>                               |                         |                         |                      |                        |
| Direct costs - salaries and benefits                         |                         |                         |                      |                        |
| Waiving student fees   | 78,922                  | 78,922                  | —                    |                        |
| Reporting BOGG fee waiver data to CCCCCO                     | 1,184                   | 1,184                   | —                    |                        |
| Total direct costs   | 80,106                  | 80,106                  | —                    |                        |
| Indirect costs   | 30,016                  | 37,818                  | 7,802                | Finding 1              |
| Total direct and indirect costs                              | 110,122                 | 117,924                 | 7,802                |                        |
| Less offsetting savings and reimbursements:                  |                         |                         |                      |                        |
| Enrollment fee waivers                                       | (133,741)               | (139,609)               | (5,868)              | Finding 2              |
| Adjustment for unused portion of offsets <sup>3</sup>        | —                       | 21,685                  | 21,685               |                        |
| Total enrollment fee waivers <sup>5</sup>                    | (23,619)                | —                       | 23,619               |                        |
| Subtotal   | 29,412                  | 70,036                  | 40,624               |                        |
| Less allowable costs that exceed costs claimed <sup>6</sup>  | —                       | (40,624)                | (40,624)             |                        |
| Total program costs  | \$ 29,412               | 29,412                  | \$ —                 |                        |
| Less amount paid by the State                                |                         | (6,259)                 |                      |                        |
| Allowable costs claimed in excess of (less than) amount paid |                         | \$ 23,153               |                      |                        |
| <u>July 1, 2010, through June 30, 2011</u>                   |                         |                         |                      |                        |
| <i>Enrollment fee collection:</i>                            |                         |                         |                      |                        |
| Direct costs - salaries and benefits                         |                         |                         |                      |                        |
| Calculating and collecting enrollment fees                   | \$ 73,631               | \$ 73,631               | \$ —                 |                        |
| Total direct costs   | 73,631                  | 73,631                  | —                    |                        |
| Indirect costs   | 28,452                  | 35,808                  | 7,356                | Finding 1              |
| Total direct and indirect costs                              | 102,083                 | 109,439                 | 7,356                |                        |
| Less offsetting savings and reimbursements:                  |                         |                         |                      |                        |
| Enrollment fee collection                                    | (64,848)                | (32,436)                | 32,412               | Finding 2              |
| Total enrollment fee collection                              | 37,235                  | 77,003                  | 39,768               |                        |

**Attachment 1 (continued)**

| Cost Elements  | Actual Costs<br>Claimed | Allowable<br>Per Review | Review<br>Adjustment | Reference <sup>1</sup> |
|--|-------------------------|-------------------------|----------------------|------------------------|
| <i>Enrollment fee waivers:</i>                               |                         |                         |                      |                        |
| Direct costs - salaries and benefits                         |                         |                         |                      |                        |
| Waiving student fees   | 98,774                  | 98,774                  | —                    |                        |
| Reporting BOGG fee waiver data to CCCCCO                     | 1,268                   | 1,268                   | —                    |                        |
| Total direct costs   | 100,042                 | 100,042                 | —                    |                        |
| Indirect costs   | 38,656                  | 48,651                  | 9,995                | Finding 1              |
| Total direct and indirect costs                              | 138,698                 | 148,693                 | 9,995                |                        |
| Less offsetting savings and reimbursements:                  |                         |                         |                      |                        |
| Enrollment fee waivers                                       | (156,748)               | (162,849)               | (6,101)              | Finding 2              |
| Adjustment for unused portion of offsets <sup>3</sup>        | —                       | 14,156                  | 14,156               |                        |
| Total enrollment fee waivers <sup>5</sup>                    | (18,050)                | —                       | 18,050               |                        |
| Subtotal   | 19,185                  | 77,003                  | 57,818               |                        |
| Less allowable costs that exceed costs claimed <sup>6</sup>  | —                       | (57,818)                | (57,818)             |                        |
| Total program costs  | \$ 19,185               | 19,185                  | \$ —                 |                        |
| Less amount paid by the State                                |                         | —                       |                      |                        |
| Allowable costs claimed in excess of (less than) amount paid |                         | \$ 19,185               |                      |                        |
| <u>Summary: July 1, 2000, through June 30, 2011</u>          |                         |                         |                      |                        |
| <i>Enrollment fee collection:</i>                            |                         |                         |                      |                        |
| Direct costs - salaries and benefits                         |                         |                         |                      |                        |
| Staff Training   | \$ 1,101                | \$ 1,101                | \$ —                 |                        |
| Calculating and collecting enrollment fees                   | 477,608                 | 477,608                 | —                    |                        |
| Total direct costs   | 478,709                 | 478,709                 | —                    |                        |
| Indirect costs   | 116,746                 | 170,261                 | 53,515               |                        |
| Total direct and indirect costs                              | 595,455                 | 648,970                 | 53,515               |                        |
| Less offsetting savings and reimbursements:                  |                         |                         |                      |                        |
| Enrollment fee collection                                    | (438,286)               | (323,544)               | 114,742              |                        |
| Adjustment for unused portion of offsets                     | —                       | 2,556                   | 2,556                |                        |
| Total enrollment fee collection                              | 157,169                 | 327,982                 | 170,813              |                        |
| <i>Enrollment fee waivers:</i>                               |                         |                         |                      |                        |
| Direct costs - salaries and benefits                         |                         |                         |                      |                        |
| Waiving student fees   | 758,119                 | 758,119                 | —                    |                        |
| Reporting BOGG fee waiver data to CCCCCO                     | 7,186                   | 7,186                   | —                    |                        |
| Total direct costs   | 765,305                 | 765,305                 | —                    |                        |
| Indirect costs   | 175,702                 | 266,760                 | 91,058               |                        |

**Attachment 1 (continued)**

| Cost Elements  | Actual Costs<br>Claimed | Allowable<br>Per Review | Review<br>Adjustment | Reference <sup>1</sup> |
|--|-------------------------|-------------------------|----------------------|------------------------|
| Total direct and indirect costs                              | 941,007                 | 1,032,065               | 91,058               |                        |
| Less offsetting savings and reimbursements:                  |                         |                         |                      |                        |
| Enrollment fee waivers                                       | (516,726)               | (1,316,530)             | (799,804)            |                        |
| Adjustment for unused portion of offsets                     | —                       | 304,686                 | 304,686              |                        |
| Total enrollment fee waivers                                 | 424,281                 | 20,221                  | (404,060)            |                        |
| Subtotal   | 581,450                 | 348,203                 | (233,247)            |                        |
| Less allowable costs that exceed costs claimed               | —                       | (136,626)               | (136,626)            |                        |
| Total program costs  | <u>\$ 581,450</u>       | 211,577                 | <u>\$ (369,873)</u>  |                        |
| Less amount paid by the State                                |                         | (10,697)                |                      |                        |
| Allowable costs claimed in excess of (less than) amount paid |                         | <u>\$ 200,880</u>       |                      |                        |

<sup>1</sup> See Attachment 2, Findings and Recommendations section.

<sup>2</sup> For FY 2000-01, through FY 2004-05, the district applied offsetting reimbursements totaling \$141,416 against total direct and indirect costs claimed (\$19,336 in FY 2000-01, \$14,533 in FY 2001-02, \$22,648 in 2002-03, \$32,967 in FY 2003-04, and \$51,932 in FY 2004-05). The district did not identify what portions of the offsets were applicable to enrollment fee collection or enrollment fee waivers activities. We applied the total offsets claimed to enrollment fee collection and enrollment fee waivers as applicable. For FY 2004-05, we limited the enrollment fee collection offset to total direct and indirect costs. Therefore, we applied \$44,370 as an offset to enrollment fee collection and \$7,562 as an offset to enrollment fee waivers.

<sup>3</sup> Allowable offsetting savings and reimbursements are limited to total direct and indirect costs and are calculated separately for enrollment fee collection costs and enrollment fee waivers costs.

<sup>4</sup> For FY 2005-06, through FY 2007-08, offsetting reimbursements claimed by the district for enrollment fee collection costs exceeded the claimed direct and indirect costs by \$23,465 (\$1,604 for FY 2005-06, \$8,250 for FY 2006-07, and \$13,611 for FY 2007-08).

<sup>5</sup> For FY 2008-09, through FY 2010-11, offsetting reimbursements claimed by the district for enrollment fee waivers costs exceeded the claimed direct and indirect costs by \$63,908 (\$22,239 for FY 2008-09, \$23,619 for FY 2009-10, and \$18,050 for FY 2010-11).

<sup>6</sup> Government Code section 17568 states that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has passed for FY 2008-09 through FY 2010-11.

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## Attachment 2— Findings and Recommendations July 1, 2000, through June 30, 2011

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### **FINDING—1 Understated indirect costs**

The district claimed indirect costs during the review period totaling \$292,448 (\$116,746 for enrollment fee collection activities and \$175,702 for enrollment fee waivers activities). For enrollment fee collection activities, we determined that \$170,261 is allowable. For enrollment fee waivers activities, we determined that \$266,760 is allowable. The costs are understated by \$144,573 (\$53,515 for enrollment fee collection activities and by \$91,058 for enrollment fee waiver activities) because of indirect cost rate calculation errors in each year of the review period.

#### **Indirect Cost Rates Claimed**

For the review period, the district claimed indirect costs based on indirect cost rates that it prepared using the SCO's FAM-29C methodology. For all years of the review period, we noted numerous errors in the calculation of the indirect cost rates that the district claimed.

The district made several calculation errors throughout the review period. We summarized the common errors noted:

- The district incorrectly misclassified indirect and direct costs.
- The district did not properly classify object code 6500, Operation and Maintenance of Plant. The district classified costs in this object code, excluding operating expenses, as a direct cost. The SCO instructions indicate that 7% is indirect prior to FY 2003-04 and 100% indirect for FY 2004-05 and subsequent fiscal years.
- The district did not properly classify object code 6710, Community Relations. The district classified costs in this object code, excluding operating expenses, as an indirect cost for FY 2001-02 through FY 2003-04. The SCO instructions indicate that this is an allowable direct cost.
- For FY 2004-05 through FY 2006-07, the district omitted operating expenses from the indirect cost rate pool.
- For FY 2003-04, the numbers reflected in the district's Annual Budget and Financial Report (CCFS 311) did not match the numbers in the district's calculation of its indirect cost rate, nor did they match the numbers from the prior year CCFS 311.
- For FY 2007-08, the district calculated its indirect cost rate using total direct costs as the base. However, the SCO claiming instructions state that the indirect cost rate must be calculated using salaries and benefits as the base.

- For FY 2004-05 through FY 2010-11, the district did not include depreciation expense in its calculations. The SCO claiming instructions indicate that the indirect cost computation includes any depreciation or use allowance applicable to district buildings and equipment. We obtained this information from the notes to the district's annual financial statements.

### **Indirect Cost Rates Allowable**

For the review period, we recalculated indirect costs using the SCO's FAM-29C methodology. We calculated the allowable indirect cost rates each year by using the financial information contained in the CCFS-311 and depreciation amounts from the district's annual financial statements only for FY 2004-05 through FY 2010-11. Our calculations show that the district understated its indirect cost rates for the entire period.

The following table summarizes the claimed, allowable, and review adjustments for indirect cost rates:

| <u>Fiscal Year</u> | <u>Claimed</u> | <u>Allowable</u> | <u>Review<br/>Adjustment</u> |
|--------------------|----------------|------------------|------------------------------|
| 2000-01            | 10.02%         | 14.36%           | 4.34%                        |
| 2001-02            | 11.99%         | 12.76%           | 0.77%                        |
| 2002-03            | 10.71%         | 13.80%           | 3.09%                        |
| 2003-04            | 8.68%          | 13.99%           | 5.31%                        |
| 2004-05            | 12.89%         | 34.53%           | 21.64%                       |
| 2005-06            | 13.49%         | 35.27%           | 21.78%                       |
| 2006-07            | 14.50%         | 36.07%           | 21.57%                       |
| 2007-08            | 30.42%         | 41.31%           | 10.89%                       |
| 2008-09            | 36.74%         | 44.95%           | 8.21%                        |
| 2009-10            | 37.47%         | 47.21%           | 9.74%                        |
| 2010-11            | 38.64%         | 48.63%           | 9.99%                        |

### **Enrollment Fee Collection**

The district claimed \$116,746 for indirect costs during the review period, related to salaries and benefits claimed for enrollment fee collection activities for FY 2000-01 through FY 2010-11. We determined that \$170,261 is allowable. The costs are understated by \$53,515 because of indirect cost rate calculation errors in each year of the review period described above.

The following table summarizes the claimed, allowable, and review adjustment amounts for indirect costs related to enrollment fee collection by fiscal year:

| Fiscal Year | Enrollment Fee Collection   |                               |                   |                   |                   |
|-------------|-----------------------------|-------------------------------|-------------------|-------------------|-------------------|
|             | Claimed Indirect Cost Rates | Allowable Indirect Cost Rates | Claimed Costs     | Allowable Costs   | Review Adjustment |
| 2000-01     | 10.02%                      | 14.36%                        | \$ 2,172          | \$ 3,113          | \$ 941            |
| 2001-02     | 11.99%                      | 12.76%                        | 3,104             | 3,304             | 200               |
| 2002-03     | 10.71%                      | 13.80%                        | 3,591             | 4,627             | 1,036             |
| 2003-04     | 8.68%                       | 13.99%                        | 3,099             | 4,996             | 1,897             |
| 2004-05     | 12.89%                      | 34.53%                        | 5,066             | 13,572            | 8,506             |
| 2005-06     | 13.49%                      | 35.27%                        | 5,821             | 15,222            | 9,401             |
| 2006-07     | 14.50%                      | 36.07%                        | 6,041             | 15,028            | 8,987             |
| 2007-08     | 30.42%                      | 41.31%                        | 6,884             | 9,348             | 2,464             |
| 2008-09     | 36.74%                      | 44.95%                        | 25,319            | 30,977            | 5,658             |
| 2009-10     | 37.47%                      | 47.21%                        | 27,197            | 34,266            | 7,069             |
| 2010-11     | 38.64%                      | 48.63%                        | 28,452            | 35,808            | 7,356             |
|             |                             |                               | <u>\$ 116,746</u> | <u>\$ 170,261</u> | <u>\$ 53,515</u>  |

### Enrollment Fee Waivers

The district claimed \$175,702 for indirect costs during the review period related to salaries and benefits claimed for enrollment fee waiver activities for FY 2000-01 through FY 2010-11. For enrollment fee waiver activities, we determined that \$266,760 is allowable. The costs are understated by \$91,058 because of indirect cost rate calculation errors in each year of the review period described above.

The following table summarizes the claimed, allowable, and review adjustment amounts for indirect costs related to enrollment fee waivers by fiscal year:

| Fiscal Year | Enrollment Fee Waivers      |                               |                   |                   |                   |
|-------------|-----------------------------|-------------------------------|-------------------|-------------------|-------------------|
|             | Claimed Indirect Cost Rates | Allowable Indirect Cost Rates | Claimed Costs     | Allowable Costs   | Review Adjustment |
| 2000-01     | 10.02%                      | 14.36%                        | \$ 3,028          | \$ 4,340          | \$ 1,312          |
| 2001-02     | 11.99%                      | 12.76%                        | 4,014             | 4,271             | 257               |
| 2002-03     | 10.71%                      | 13.80%                        | 6,178             | 7,961             | 1,783             |
| 2003-04     | 8.68%                       | 13.99%                        | 5,303             | 8,546             | 3,243             |
| 2004-05     | 12.89%                      | 34.53%                        | 9,260             | 24,806            | 15,546            |
| 2005-06     | 13.49%                      | 35.27%                        | 10,257            | 26,818            | 16,561            |
| 2006-07     | 14.50%                      | 36.07%                        | 11,796            | 29,344            | 17,548            |
| 2007-08     | 30.42%                      | 41.31%                        | 31,454            | 42,714            | 11,260            |
| 2008-09     | 36.74%                      | 44.95%                        | 25,740            | 31,491            | 5,751             |
| 2009-10     | 37.47%                      | 47.21%                        | 30,016            | 37,818            | 7,802             |
| 2010-11     | 38.64%                      | 48.63%                        | 38,656            | 48,651            | 9,995             |
|             |                             |                               | <u>\$ 175,702</u> | <u>\$ 266,760</u> | <u>\$ 91,058</u>  |

On April 24, 2003, the Commission on State Mandates (CSM) adopted the statement of decision for the Enrollment Fee Collection and Waivers Program. The CSM determined that the test claim legislation imposed upon school districts a state mandate reimbursable under Government Code section 17561.

The parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the parameters and guidelines on January 26, 2006. In compliance with Government Code section 17558, the SCO issued claiming instructions to assist community college districts in claiming mandated program reimbursable costs.

The parameters and guidelines (section V.B.–Claim Preparation and Submission–Indirect Costs) state that:

Indirect costs are costs that have been incurred for common or joint purposes. Community colleges have the option of using: (1) a federally approved rate, utilizing the cost accounting principles from the Office of Management and Budget Circular A-21, “Cost Principles of Education Institutions”; (2) the rate calculated on State Controller’s Form FAM-29C; or (3) a 7% indirect cost rate.

#### Recommendation

We recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

#### **FINDING 2— Misstated offsetting reimbursements**

The district claimed offsetting reimbursements totaling \$955,012 (\$438,286 for enrollment fee collection and \$516,726 for enrollment fee waivers). We determined that offsetting reimbursements were overstated by \$117,298 for enrollment fee collection and understated by \$495,118 for enrollment fee waivers. The offsetting reimbursements were misstated because the district did not report the correct amounts that it received from the California Community Colleges Chancellor’s Office (CCCCO) for enrollment fee collection or enrollment fee waivers in any fiscal year of the review period.

In its claims for fiscal year (FY) 2000-01 through FY 2004-05, the district applied offsetting reimbursements of \$141,416 against total direct and indirect costs claimed. The district did not identify what portions were applicable to enrollment fee collection or enrollment fee waivers. Therefore, we applied \$133,854 of the offsets claimed to enrollment fee collection activities and \$7,562 to enrollment fee waiver activities. For FY 2004-05, we limited the enrollment fee collection offset to total direct and indirect costs. Therefore, we applied \$44,370 as an offset to the enrollment fee collection and \$7,562 as an offset to the enrollment fee waivers.

#### **Enrollment Fee Collection**

As noted above, the district claimed \$141,416 in offsetting reimbursements for FY 2000-01 through FY 2004-05; we classified \$133,854 as enrollment fee collection. In addition, the district claimed \$304,432 in enrollment fee collection for FY 2005-06 through FY 2010-11 related to the offset of two percent of revenues from enrollment fees.

We obtained a report from the CCCCCO confirming enrollment fee collection offsets paid to the district totaling \$323,544 for the review period. We limited offsetting reimbursements received by the district to allowable direct and indirect enrollment fee collection costs. Allowable direct and indirect enrollment fee collection costs applicable for the review period totaled \$648,970. The district overstated offsetting reimbursements by \$117,298, consisting of offsets applicable to the review period of \$320,988 less offsets claimed of \$438,286.

The following table summarizes the overstated enrollment fee collection offsetting reimbursements by fiscal year:

| Fiscal Year | Enrollment Fee Collection Offsets       |                          |  |                                 |                             |
|-------------|---|--------------------------|--|---------------------------------|-----------------------------|
|             | Allowable Direct and Indirect Costs (A) | Offsets Claimed (B)      | Actual Offsets Confirmed by the CCCCCO (C) | Offset Applicable to Review (D) | Review Adjustment (E)=(D-B) |
| 2000-01     | \$ 24,797                               | \$ (19,336) <sup>1</sup> | \$ (14,653)                                | \$ (14,653)                     | \$ 4,683                    |
| 2001-02     | 29,202                                  | (14,533) <sup>1</sup>    | (14,725)                                   | (14,725)                        | (192)                       |
| 2002-03     | 38,158                                  | (22,648) <sup>1</sup>    | (18,996)                                   | (18,996)                        | 3,652                       |
| 2003-04     | 40,704                                  | (32,967) <sup>1</sup>    | (29,221)                                   | (29,221)                        | 3,746                       |
| 2004-05     | 52,876                                  | (44,370) <sup>1</sup>    | (39,957)                                   | (39,957)                        | 4,413                       |
| 2005-06     | 58,383                                  | (50,586)                 | (34,044)                                   | (34,044)                        | 16,542                      |
| 2006-07     | 56,695                                  | (55,958)                 | (35,286)                                   | (35,286)                        | 20,672                      |
| 2007-08     | 31,980                                  | (43,127)                 | (34,536)                                   | (31,980)                        | 11,147                      |
| 2008-09     | 99,889                                  | (43,166)                 | (32,879)                                   | (32,879)                        | 10,287                      |
| 2009-10     | 106,847                                 | (46,747)                 | (36,811)                                   | (36,811)                        | 9,936                       |
| 2010-11     | 109,439                                 | (64,848)                 | (32,436)                                   | (32,436)                        | 32,412                      |
|             | <u>\$ 648,970</u>                       | <u>\$ (438,286)</u>      | <u>\$ (323,544)</u>                        | <u>\$ (320,988)</u>             | <u>\$ 117,298</u>           |

<sup>1</sup> For FY 2000-01 through FY 2004-05, the district applied offsetting reimbursements totaling \$141,416 against total direct and indirect costs claimed. The district did not identify what portion of the offset was applicable to the enrollment fee collection and what portion was applicable to the enrollment fee waivers. We applied \$133,854 of the offsets claimed to enrollment fee collection activities.

After applying offsetting reimbursements to allowable direct and related indirect enrollment fee collection costs, the unused portion of offsetting reimbursements total \$2,556 as follows:

| Fiscal Year | Actual Offsets Confirmed by the CCCCCO (A) | Offsets Applicable to Review (B) | Unused Portion of Offsets (A-B) |
|-------------|--|----------------------------------|---------------------------------|
| 2000-01     | \$ (14,653)                                | \$ (14,653)                      | \$ -                            |
| 2001-02     | (14,725)                                   | (14,725)                         | -                               |
| 2002-03     | (18,996)                                   | (18,996)                         | -                               |
| 2003-04     | (29,221)                                   | (29,221)                         | -                               |
| 2004-05     | (39,957)                                   | (39,957)                         | -                               |
| 2005-06     | (34,044)                                   | (34,044)                         | -                               |
| 2006-07     | (35,286)                                   | (35,286)                         | -                               |
| 2007-08     | (34,536)                                   | (31,980)                         | (2,556)                         |
| 2008-09     | (32,879)                                   | (32,879)                         | -                               |
| 2009-10     | (36,811)                                   | (36,811)                         | -                               |
| 2010-11     | (32,436)                                   | (32,436)                         | -                               |
| Total       | <u>\$ (323,544)</u>                        | <u>\$ (320,988)</u>              | <u>\$ (2,556)</u>               |



**Enrollment Fee Waivers**

As noted above, the district claimed \$141,416 in offsetting reimbursements for FY 2000-01 through FY 2004-05; we classified \$7,562 as enrollment fee waivers. The district did not claim any offsetting reimbursements for FY 2006-07. The district did claim \$509,164 in offsetting reimbursements for FY 2005-06, and FY 2007-08 through FY 2010-11. For enrollment fee waivers, we also limited offsetting reimbursements received by the district to allowable direct and indirect costs. We obtained a report from the CCCCCO confirming enrollment fee waivers offsets paid to the district totaling \$1,316,530 for the review period. Allowable direct and indirect enrollment fee waivers costs applicable for the review period totaled \$1,032,065. The district understated offsetting reimbursements by \$495,118, consisting of offsets applicable to the review period of \$1,011,844 less offsets claimed of \$516,726.

The following table summarizes the understated enrollment fee waiver offsetting reimbursements by fiscal year:

| Enrollment Fee Waivers Offsets |   |                      |  |                                 |                             |
|--------------------------------|---|----------------------|--|---------------------------------|-----------------------------|
| Fiscal Year                    | Allowable Direct and Indirect Costs (A) | Offsets Claimed (B)  | Actual Offsets Confirmed by the CCCCCO (C) | Offset Applicable to Review (D) | Review Adjustment (E)=(D-B) |
| 2000-01                        | \$ 34,560                               | \$ -                 | \$ (85,885)                                | \$ (34,560)                     | \$ (34,560)                 |
| 2001-02                        | 37,743                                  | -                    | (87,688)                                   | (37,743)                        | (37,743)                    |
| 2002-03                        | 65,648                                  | -                    | (88,186)                                   | (65,648)                        | (65,648)                    |
| 2003-04                        | 69,637                                  | -                    | (108,685)                                  | (69,637)                        | (69,637)                    |
| 2004-05                        | 96,646                                  | (7,562) <sup>2</sup> | (132,773)                                  | (96,646)                        | (89,084)                    |
| 2005-06                        | 102,854                                 | (1,346)              | (123,219)                                  | (102,854)                       | (101,508)                   |
| 2006-07                        | 110,696                                 | -                    | (135,460)                                  | (110,696)                       | (110,696)                   |
| 2007-08                        | 146,113                                 | (99,290)             | (125,892)                                  | (125,892)                       | (26,602)                    |
| 2008-09                        | 101,551                                 | (118,039)            | (126,284)                                  | (101,551)                       | 16,488                      |
| 2009-10                        | 117,924                                 | (133,741)            | (139,609)                                  | (117,924)                       | 15,817                      |
| 2010-11                        | 148,693                                 | (156,748)            | (162,849)                                  | (148,693)                       | 8,055                       |
|                                | <u>\$ 1,032,065</u>                     | <u>\$ (516,726)</u>  | <u>\$ (1,316,530)</u>                      | <u>\$ (1,011,844)</u>           | <u>\$ (495,118)</u>         |

<sup>2</sup> For FY 2000-01 through FY 2004-05, the district applied offsetting reimbursements totaling \$141,416 against total direct and indirect costs claimed. The district did not identify what portion of the offset was applicable to the enrollment fee collection and what portion was applicable to the enrollment fee waivers. We applied \$7,562 of the offsets claimed to the enrollment fee waivers.

After applying offsetting reimbursements to allowable direct and related indirect enrollment fee waivers costs, the unused portion of offsetting reimbursements totals \$304,686 as follows:

| Fiscal Year | Actual Offsets<br>Confirmed by<br>the CCCCCO (A) | Offsets<br>Applicable to<br>Review (B) | Unused Portion<br>of Offsets (A-B) |
|-------------|--|--|------------------------------------|
| 2000-01     | \$ (85,885)                                      | \$ (34,560)                            | \$ (51,325)                        |
| 2001-02     | (87,688)   | (37,743)                               | (49,945)                           |
| 2002-03     | (88,186)   | (65,648)                               | (22,538)                           |
| 2003-04     | (108,685)  | (69,637)                               | (39,048)                           |
| 2004-05     | (132,773)  | (96,646)                               | (36,127)                           |
| 2005-06     | (123,219)  | (102,854)                              | (20,365)                           |
| 2006-07     | (135,460)  | (110,696)                              | (24,764)                           |
| 2007-08     | (125,892)  | (125,892)                              | -                                  |
| 2008-09     | (126,284)  | (101,551)                              | (24,733)                           |
| 2009-10     | (139,609)  | (117,924)                              | (21,685)                           |
| 2010-11     | (162,849)  | (148,693)                              | (14,156)                           |
| Total       | <u>\$ (1,316,530)</u>                            | <u>\$ (1,011,844)</u>                  | <u>\$ (304,686)</u>                |

The parameters and guidelines (section VII-Offsetting Savings and Reimbursements) state:

Any offsetting savings the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate from any source, including, but not limited to services fees collected, federal funds, and other state funds, shall be identified and deducted from this claim.

#### Enrollment Fee Collection Program:

The cost of the Enrollment Fee Collection program are subject to an offset of two percent (2%) of the revenue from enrollment fees (Ed. Code, 76000, subd.(c))

#### Enrollment Fee Waiver Program:

The costs of the Enrollment Fee Waiver program are subject to the following offsets:

July 1, 1999 to July 4, 2000:

- For low income students<sup>2</sup> or recipients of public assistance<sup>3</sup>, or dependents or surviving spouses of National Guard soldiers killed in the line of duty<sup>4</sup> as defined:
  - an offset identified in Education Code section 76300, subdivision ( m ), that requires the community college Board of Governors, from funds in the annual budget act, to allocated to community college two percent (2%) of the fees waived, under subdivision (g) [low income students, as defined, or specified recipient of public assistance] and (h) [dependents or surviving spouses of California National Guard soldiers killed in the line of duty, as defined] of section 76300; and

- For determination of financial need and delivery of student financial aid services, on the basis of the number of low income students (as defined) or recipients of public assistance (as defined), or dependents or surviving spouses of National Guard soldiers killed in the line of duty, for whom fees are waived:
  - from funds provided in the annual State Budget Act, the board of governors shall allocate to community college districts, pursuant to this subdivision, an amount equal to seven (7%) of the fee waivers provided, pursuant to subdivisions (g) [low income students, as defined, or specified recipients of public assistance] and 9h0 [dependents or surviving spouses of California National Guard soldiers killed in the line of duty, as defined].<sup>5</sup>

Beginning July 5, 2000:

- For low-income students (as defined), or recipient of public assistance (as defined) or dependent or surviving spouses of National Guard soldiers killed in the line of duty, for whom fees are waived (as defined):
  - an offset identified in Education Code section 76300, subdivision (m), that requires the Community College Board of Governors, from funds in the annual budget act, to allocate to community colleges two (2%) of the fees waived, under subdivisions (g) [low income students, as defined, or specified recipients of public assistance] and (h) [dependents of California National Guard soldiers killed in the line of duty as defined] of section 76300;
- For determination of financial need and delivery of student financial aid services, on the basis of the number of low income students (as defined) or recipients of public assistance (as defined) for whom fees are waived:
  - requires the Board of Governors to allocate from funds in the annual State Budget Act ninety-one cents (\$0.91) per credit unit waived pursuant to subdivisions (g) [low income students, as defined, or specified recipient of public assistance] and (h) [dependents or California National Guard soldiers killed in the line of duty as defined].
- Any budget augmentation received under the Board Financial Assistance Program Administrative Allowance, or any other state budget augmentation received for administering the fee waiver program.

Note – Footnotes 2 through 5 are included in the parameters and guidelines to provide additional clarification.

#### Recommendation

We recommended that the district report the applicable offsetting reimbursements for the Enrollment Fee Collection and Waivers Program on its mandated cost claims based on information provided by the CCCCCO.